

COPY

December 12, 1949.

FC
Re: American Philips Companies

My dear Colonel Wray:

I am enclosing herewith the official request that the American Philips Companies case be expedited and given priority hearing on the basis of hardship. This is not a phrase; but in cold cash as well as in reputation, the losses have been enormous. I think, too, that both the Department of the Navy and the Department of Defense are committed to expedite the matter in view of the absence of hearing to date, and the fact that this was promised by Secretary Matthews under date of September 29, 1949, and by the Department of Defense through General L. C. Allen under date of October 4. Certainly a year of negotiations and briefs ought to be enough to get a date on the calendar.

In requesting an early date for a hearing, the American Philips Companies do not wish to be understood as waiving the claims which they undoubtedly have, though which in normal course they would not press, for compensation for the continued use of their property and patents, and other damages suffered in the interim; nor to ask appropriate Congressional action. It has been, of course, the constant hope of the American Philips Companies that full hearing will develop the situation so that their other rights need not be pressed.

I also respectfully call your attention to the fact that the primary agency for the internal security of the United States is the Federal Bureau of Investigation; and therefore suggest that the Board may wish a check by the FBI of the American Philips Companies in connection with the proceeding. The files, records, personnel and procedures of the American Philips Companies would be entirely open to the FBI through Brigadier General Hayes A. Kroner, U.S.A., Retd., former Director of Military Intelligence, and who is a Director of one of the American Philips Companies charged with security, or with Colonel John V. Grombach, Consultant, for the Hartford National Bank and Trust Company.

I should appreciate very much knowing about when we could reasonably expect that the case will be called so that we can arrange for appropriate preparation.

Very truly yours,

enclosure

A. A. Berle, Jr.

Lieutenant Colonel Francis M. Wray,
Executive Secretary,
Industrial Employment Review Board,
Pentagon Building,
Washington, D. C.

COPY

December 12, 1949.

Re: American Philips Companies

My dear Colonel Wray:

I refer to your letter of November 2nd in the above entitled matter. I am further informed that, as of November 7, an Industrial Employment Review Board has been created to which have been transferred all of the property, records and functions of the Industrial Employment Review Board and that the appeal of the American Philips Companies constituted by letter dated October 21, 1949 to the Secretary of the Navy, and accepted as a notice of appeal by the Industrial Employment Review Board pursuant to your letter of October 26, 1949, thus falls within the newly constituted or reconstituted Board. I understand that you are now Executive Secretary of the newly constituted Board, transferring from the Office of the Provost Marshall General to the Munitions Board.

It is respectively requested that the American Philips Companies case be expedited as a "hardship" case for the following reasons:

1. That the ineligibility ruling, though not dated, affected the American Philips Companies as of October, 1947, though it was not fully made known to the American Philips Companies until 1948; that thereafter American Philips Companies sought a hearing from the Navy Department during the year 1948; that correspondence continued with the Navy Department, finally culminating in a conference on March 1, 1949, following which a brief was requested. The request at that time was for a hearing on the ruling of ineligibility. That thereafter a brief was filed but that no ruling was forthcoming until the 28th of August, 1949, which did not grant a hearing but merely reiterated the previous ruling of ineligibility, together with advice of the right of the American Philips Companies to appeal.

Thereafter, under date of September 29, 1949, the Secretary of the Navy recommended that immediate notice be given of the appeal, and recommended that an early date be set for the hearing. The Secretary of Defense confirmed this by letter of October 4, 1949, advising that the Industrial Employment Review Board would communicate concerning the time and date of the hearing.

2. That the various American Philips Companies were eligible for classified contracts up to the end of 1947 or the beginning of 1948 and that their production and security record during World War II was excellent.

3. That in late 1947 or early 1948 the United States Navy declared the various Philips Companies insecure and no longer eligible for classified contracts but refused both security inspections and hearings. That this followed immediately efforts on the part of major competitors to purchase some of the plants of the American Philips Companies.

4. That on March 1, 1949, a representation from the Hartford National Bank and Trust Company of Hartford, Connecticut, and the American Philips Companies and their counsel met with the Assistant Secretary of Navy Koshler for the sole

purpose of trying to obtain a hearing from the Navy at which time the reasons for the discrimination against the Philips Companies could be gone over and either proven incorrect or corrected so as to satisfy Navy security requirements. That although Mr. Koehler asked Mr. Berle, for a brief, no hearing was held at that time or since, but the ineligibility of the Philips Companies has still continued not only in the Navy but in accordance with a letter from the IFRB in a "denial of access to classified Army, Navy, and Air Force contracts as a result of the original objection and action by the United States Navy". That the various Philips Companies have lost and are losing considerable amounts of money in the loss of Government contracts as a result of the above. That some of these companies were especially organized and tooled for Armed Forces and specific Navy contracts. That in one case one of the Philips Companies at their own expense agreed to develop a certain type of Geiger-Mueller counter and that the Navy, in order to allow the Philips Company involved to continue this work, declassified the special type of Geiger-Mueller counter involved. That after these tubes were developed by the Philips Company the Navy asked that other suppliers, principally RCA and GE be shown how to produce these special tubes. That notwithstanding the expense by Philips in developing these tubes on the promise or prospect of being able to bid on same and notwithstanding the tubes having been declassified the contracts and bids on these unclassified tubes were classified and the Philips Company involved did not even get an opportunity to bid on any contracts as a result of their ineligibility now at issue.

5. That an important invention or development in the field of ferrite~~x~~ made available to United States defense from the Dutch Philips Company through the American Philips Companies has not been as efficiently employed as possible. This invention and development, divulged to the United States Navy in 1945, has been turned over to competitors and appellant and the original inventors have not been allowed to participate. That in this connection the competing companies called in by the Armed Forces and the Navy have, in some cases, applied for licenses for the use of this invention and development both in industry and in defense. That the American Philips Companies are in the unfortunate dilemma of not knowing how to negotiate with regard to giving out licenses under their patents, for they do not know whether they are ever going to be able to help the national defense program or even manufacture without interference their own invention for commercial industry. While they naturally will make available their patents and developments by licenses to other American companies their negotiations will, of course, be based on their eligibility for classified contracts and other issues involved herein.

6. That rumors and reports, some which can be directly proven as emanating from Navy sources, have raised a considerable question as to the loyalty and security of the various American Philips Companies, the American Philips Trust, and the American citizens, many of whom saw service in World War II in the Armed Services. This has done irrevocable and incalculable damages to all concerned.

7. That the loyalty and security of the American Philips Companies on the contrary can be proven to be beyond doubt. They had, and consequently still have, knowledge of top secret projects resulting from World War II.

It is obvious that the Navy files are readily available and if they have not already reached the possession of the Board can be turned over to them at any time. The American Philips Companies have been asking for a hearing for approximately one year and further delay in reaching a hearing is a hardship on them. The loss and damage to the reputation of the American Philips Companies

has been steadily continuing. The combination of delay, financial loss and loss of reputation, it is believed, constitute hardship justifying priority in hearing.

Very truly yours,

A. A. Berle, Jr.

Lieutenant Colonel Francis M. May,
Executive Secretary,
Industrial Employment Review Board,
Pentagon Building,
Washington, D.C.